

Mr. John Twitty, Controller
Health Management Resources, Inc.
2905 White Horse Road
Greenville, South Carolina 29611

Re: AC# 3-WIL-L5 – Willow Creek Nursing Center, Inc.

Dear Mr. Twitty:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period June 1, 1995 through November 30, 1995. That report was used to set the rate covering the contract periods beginning June 1, 1995.

We are recommending that the Department of Health and Human Services certify an accounts receivable/payable for amounts overpaid/underpaid as a result of the rate changes shown on Exhibit A. You will be notified of settlement terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/sj

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Mac Carroll

WILLOW CREEK NURSING CENTER, INC.

IVA, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING JUNE 1, 1995
AC# 3-WIL-L5**

REPORT ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

March 3, 1999

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Willow Creek Nursing Center, Inc., for the contract periods beginning June 1, 1995 and for the six month cost report period ended November 30, 1995, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Willow Creek Nursing Center, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summaries of Costs and Total Patient Days and Cost of Capital Reimbursement Analyses sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contract between the Department of Health and Human Services and Willow Creek Nursing Center, Inc. dated as of June 1, 1995 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
March 3, 1999

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

WILLOW CREEK NURSING CENTER, INC.

Computation of Rate Change
For the Contract Periods
Beginning June 1, 1995
AC# 3-WIL-L5

	06/01/95- <u>07/31/95</u>	08/01/95- <u>09/30/95</u>	10/01/95- <u>11/30/95</u>	12/01/95- <u>09/30/96</u>	10/01/96- <u>09/30/97</u>
Interim reimbursement rate (1)	\$85.55	\$85.25	\$86.39	\$91.06	\$85.58
Adjusted reimbursement rate	<u>85.25</u>	<u>85.25</u>	<u>87.65</u>	<u>85.85</u>	<u>85.66</u>
Decrease(Increase) in reimbursement rate	\$ <u>.30</u>	\$ <u>-</u>	\$ <u>(1.26)</u>	\$ <u>5.21</u>	\$ <u>(.08)</u>

(1) Interim reimbursement rate from the South Carolina Medicaid Management Information System (MMIS) Provider Rate Listing dated December 8, 1998

WILLOW CREEK NURSING CENTER, INC.
Computation of Adjusted Reimbursement Rate
For the Contract Periods June 1, 1995 Through September 30, 1995
AC# 3-WIL-L5

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$.24	\$42.34	\$42.58	\$42.34
Dietary	<u>-</u>	<u>9.96</u>	<u>9.23</u>	<u>9.23</u>
Subtotal	<u>.24</u>	52.30	51.81	51.57
Laundry/Housekeeping/Maint.	\$ -	7.78	6.75	6.75
Administration & Med. Rec.	<u>-</u>	<u>8.78</u>	<u>7.22</u>	<u>7.22</u>
Subtotal	<u>\$ -</u>	68.86	<u>\$65.78</u>	65.54
<u>Costs Not Subject to Standards:</u>				
Utilities		2.08		2.08
Special Services		1.52		1.52
Medical Supplies & Oxy.		3.78		3.78
Taxes and Insurance		.54		.54
Legal Fees		<u>.06</u>		<u>.06</u>
TOTAL		<u>\$76.84</u>		73.52
Inflation Factor (N/A)				-
Cost of Capital				10.94
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive - For Gen. Serv. & Dietary				.24
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				-
OTC/Nonlegend Drug Reimbursement				.25
Laundry Add-On				<u>.30</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$85.25</u>

WILLOW CREEK NURSING CENTER, INC.
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1995 Through November 30, 1995
AC# 3-WIL-L5

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$ 3.54	\$42.34	\$50.61	\$42.34
Dietary	<u>.23</u>	<u>9.96</u>	<u>10.19</u>	<u>9.96</u>
Subtotal	<u>\$ 3.77</u>	52.30	60.80	52.30
Laundry/Housekeeping/Maintenance	\$ -	7.78	7.17	7.17
Administration & Medical Records	<u>-</u>	<u>8.78</u>	<u>7.58</u>	<u>7.58</u>
Subtotal	<u>\$ -</u>	68.86	<u>\$75.55</u>	67.05
<u>Costs Not Subject to Standards:</u>				
Utilities		2.08		2.08
Special Services		1.52		1.52
Medical Supplies & Oxygen		3.95		3.95
Taxes and Insurance		.54		.54
Legal Fees		<u>.06</u>		<u>.06</u>
TOTAL		<u>\$77.01</u>		75.20
Inflation Factor (N/A)				-
Cost of Capital				10.95
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive - For General Service & Dietary				3.77
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				<u>(2.27)</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$87.65</u>

WILLOW CREEK NURSING CENTER, INC.

Computation of Adjusted Reimbursement Rate

For the Contract Periods December 1, 1995 Through September 30, 1996

AC# 3-WIL-L5

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$ 3.54	\$38.69	\$50.61	\$38.69
Dietary	<u>.71</u>	<u>9.10</u>	<u>10.19</u>	<u>9.10</u>
Subtotal	\$ <u>4.25</u>	47.79	60.80	47.79
Laundry/Housekeeping/Maintenance	\$.06	7.11	7.17	7.11
Administration & Medical Records	<u>-</u>	<u>8.02</u>	<u>7.58</u>	<u>7.58</u>
Subtotal	\$ <u>.06</u>	62.92	\$ <u>75.55</u>	62.48
<u>Costs Not Subject to Standards:</u>				
Utilities		1.90		1.90
Special Services		1.39		1.39
Medical Supplies & Oxygen		3.61		3.61
Taxes and Insurance		.49		.49
Legal Fees		<u>.06</u>		<u>.06</u>
TOTAL		\$ <u>70.37</u>		69.93
Inflation Factor (6.30%)				4.41
Cost of Capital				10.01
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				.06
Cost Incentive - For General Service & Dietary				4.25
Effect of \$1.50 Cap on Cost/Profit Incentives and Cost Sharing				<u>(2.81)</u>
ADJUSTED REIMBURSEMENT RATE				\$ <u>85.85</u>

WILLOW CREEK NURSING CENTER, INC.
Computation of Adjusted Reimbursement Rate
For the Contract Periods October 1, 1996 Through September 30, 1997
AC# 3-WIL-L5

	<u>Profit Incentive</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services	\$ 3.07	\$38.69	\$43.87	\$38.69
Dietary	<u>.73</u>	<u>9.10</u>	<u>10.45</u>	<u>9.10</u>
Subtotal	<u>\$ 3.80</u>	47.79	54.32	47.79
Laundry/Housekeeping/Maintenance	\$.06	7.11	7.17	7.11
Administration & Medical Records	<u>-</u>	<u>8.02</u>	<u>7.82</u>	<u>7.82</u>
Subtotal	<u>\$.06</u>	62.92	<u>\$69.31</u>	62.72
<u>Costs Not Subject to Standards:</u>				
Utilities		1.90		1.90
Special Services		1.39		1.39
Medical Supplies & Oxygen		3.61		3.61
Taxes and Insurance		.49		.49
Legal Fees		<u>.06</u>		<u>.06</u>
TOTAL		<u>\$70.37</u>		70.17
Inflation Factor (4.90%)				3.44
Cost of Capital				10.05
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				.06
Cost Incentive - For General Service & Dietary				3.80
Effect of \$1.75 Cap on Cost/Profit Incentives and Cost Sharing				(2.11)
Minimum Wage Add On				<u>.25</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$85.66</u>

WILLOW CREEK NURSING CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended November 30, 1995
For the Contract Periods June 1, 1995 Through September 30, 1995
AC# 3-WIL-L5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$ 408,192	\$2,402 (1) 94 (1) 1,366 (2)	\$ -	\$ 412,054
Dietary	95,960	19 (1) 940 (2)	-	96,919
Laundry	24,014	263 (2)	318 (1)	23,959
Housekeeping	32,367	33 (2)	302 (1)	32,098
Maintenance	20,434	-	813 (1)	19,621
Administration & Medical Records	85,065	637 (1)	248 (1)	85,454
Utilities	20,183	22 (1)	-	20,205
Special Services	14,773	-	-	14,773
Medical Supplies & Oxygen	40,168	-	814 (1) 2,602 (2)	36,752
Taxes & Insurance	5,743	-	520 (1)	5,223
Legal Fees	631	-	-	631

WILLOW CREEK NURSING CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended November 30, 1995
For the Contract Periods June 1, 1995 Through September 30, 1995
AC# 3-WIL-L5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	105,617	3,090 (5)	1,144 (3) <u>1,109 (4)</u>	106,454
Subtotal	853,147	8,866	7,870	854,143
Ancillary	24,184	-	-	24,184
Non-Allowable	157,597	1,109 (4)	159 (1) <u>3,090 (5)</u>	155,457
Total Operating Expenses	<u>\$1,034,928</u>	<u>\$9,975</u>	<u>\$11,119</u>	<u>\$1,033,784</u>
TOTAL PATIENT DAYS	<u>9,733</u>			
TOTAL BEDS	<u>60</u>			

WILLOW CREEK NURSING CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended November 30, 1995
For the Contract Period October 1, 1995 Through November 30, 1995
AC# 3-WIL-L5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$ 408,192	\$2,402 (1) 94 (1) 1,366 (2)	\$ -	\$ 412,054
Dietary	95,960	19 (1) 940 (2)	-	96,919
Laundry	24,014	263 (2)	318 (1)	23,959
Housekeeping	32,367	33 (2)	302 (1)	32,098
Maintenance	20,434	-	813 (1)	19,621
Administration & Medical Records	85,065	637 (1)	248 (1)	85,454
Utilities	20,183	22 (1)	-	20,205
Special Services	14,773	-	-	14,773
Medical Supplies & Oxygen	41,881	-	814 (1) 2,602 (2)	38,465
Taxes & Insurance	5,743	-	520 (1)	5,223
Legal Fees	631	-	-	631

WILLOW CREEK NURSING CENTER, INC.

Summary of Costs and Total Patient Days

For the Cost Report Period Ended November 30, 1995

For the Contract Period October 1, 1995 Through November 30, 1995

AC# 3-WIL-L5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	105,859	2,966 (6)	1,144 (3)	106,572
	<u> </u>	<u> </u>	<u>1,109 (4)</u>	<u> </u>
Subtotal	855,102	8,742	7,870	855,974
Ancillary	22,471	-	-	22,471
Non-Allowable	157,355	1,109 (4)	159 (1)	155,339
	<u> </u>	<u> </u>	<u>2,966 (6)</u>	<u> </u>
Total Operating Expenses	<u>\$1,034,928</u>	<u>\$9,851</u>	<u>\$10,995</u>	<u>\$1,033,784</u>
TOTAL PATIENT DAYS	<u>9,882</u>	<u>-</u>	<u>149 (8)</u>	<u>9,733</u>
TOTAL BEDS	<u>60</u>			

WILLOW CREEK NURSING CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended November 30, 1995
For the Contract Periods December 1, 1995 Through September 30, 1996
AC# 3-WIL-L5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$ 408,192	\$2,402 (1) 94 (1) 1,366 (2)	\$ -	\$ 412,054
Dietary	95,960	19 (1) 940 (2)	-	96,919
Laundry	24,014	263 (2)	318 (1)	23,959
Housekeeping	32,367	33 (2)	302 (1)	32,098
Maintenance	20,434	-	813 (1)	19,621
Administration & Medical Records	85,065	637 (1)	248 (1)	85,454
Utilities	20,183	22 (1)	-	20,205
Special Services	14,773	-	-	14,773
Medical Supplies & Oxygen	41,881	-	814 (1) 2,602 (2)	38,465
Taxes & Insurance	5,743	-	520 (1)	5,223
Legal Fees	631	-	-	631

WILLOW CREEK NURSING CENTER, INC.

Summary of Costs and Total Patient Days

For the Cost Report Period Ended November 30, 1995

For the Contract Periods December 1, 1995 Through September 30, 1996

AC# 3-WIL-L5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		Adjusted <u>Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	105,859	2,966 (6)	1,144 (3) <u>1,109 (4)</u>	106,572
Subtotal	855,102	8,742	7,870	855,974
Ancillary	22,471	-	-	22,471
Non-Allowable	157,355	1,109 (4)	159 (1) <u>2,966 (6)</u>	155,339
Total Operating Expenses	<u>\$1,034,928</u>	<u>\$9,851</u>	<u>\$10,995</u>	<u>\$1,033,784</u>
TOTAL PATIENT DAYS	<u>9,882</u>	<u>769 (9)</u>	<u>-</u>	* <u>10,651</u>
*Adjusted to 97% occupancy				
TOTAL BEDS	<u>60</u>			

WILLOW CREEK NURSING CENTER, INC.
Summary of Costs and Total Patient Days
For the Cost Report Period Ended November 30, 1995
For the Contract Periods October 1, 1996 Through September 30, 1997
AC# 3-WIL-L5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$ 408,192	\$2,402 (1) 94 (1) 1,366 (2)	\$ -	\$ 412,054
Dietary	95,960	19 (1) 940 (2)	-	96,919
Laundry	24,014	263 (2)	318 (1)	23,959
Housekeeping	32,367	33 (2)	302 (1)	32,098
Maintenance	20,434	-	813 (1)	19,621
Administration & Medical Records	85,065	637 (1)	248 (1)	85,454
Utilities	20,183	22 (1)	-	20,205
Special Services	14,774	-	-	14,774
Medical Supplies & Oxygen	41,881	-	814 (1) 2,602 (2)	38,465
Taxes & Insurance	5,743	-	520 (1)	5,223
Legal Fees	631	-	-	631

WILLOW CREEK NURSING CENTER, INC.

Summary of Costs and Total Patient Days

For the Cost Report Period Ended November 30, 1995

For the Contract Periods October 1, 1996 Through September 30, 1997

AC# 3-WIL-L5

<u>EXPENSES</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	106,430	2,884 (7)	1,144 (3) <u>1,109 (4)</u>	107,061
Subtotal	855,674	8,660	7,870	856,464
Ancillary	22,471	-	-	22,471
Non-Allowable	156,783	1,109 (4)	159 (1) <u>2,884 (7)</u>	154,849
Total Operating Expenses	<u>\$1,034,928</u>	<u>\$9,769</u>	<u>\$10,913</u>	<u>\$1,033,784</u>
TOTAL PATIENT DAYS	* <u>10,651</u>	<u>-</u>	<u>-</u>	<u>10,651</u>
*Adjusted to 97% occupancy				
TOTAL BEDS	<u>60</u>			

WILLOW CREEK NURSING CENTER, INC.
Adjustment Report
Cost Report Period Ended November 30, 1995
AC# 3-WIL-L5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Nursing	\$ 2,402	
	Restorative	94	
	Dietary	19	
	Administration	637	
	Utilities	22	
	Laundry		\$ 318
	Housekeeping		302
	Maintenance		813
	Medical Records		248
	Taxes and Insurance		520
	Medical Supplies		814
	Nonallowable		159
	To adjust cost report balances to provider's adjusted trial balance HIM-15-1, Section 2304		
2	Nursing	1,366	
	Dietary	940	
	Laundry	263	
	Housekeeping	33	
	Medical Supplies		2,602
	To reclassify expenses to the proper cost centers State Plan, Attachment 4.19D		
3	Accumulated Depreciation	1,879	
	Other Equity	10,798	
	Fixed Assets		11,533
	Cost of Capital		1,144
	To adjust fixed assets and related Depreciation to allowable State Plan, Attachment 4.19D		

WILLOW CREEK NURSING CENTER, INC.
Adjustment Report
Cost Report Period Ended November 30, 1995
AC# 3-WIL-L5

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
4	Nonallowable Cost of Capital	1,109	1,109
	To adjust loan cost amortization expense to allowable HIM-15-1, Section 2304		
5	Cost of Capital Nonallowable	3,090	3,090
	To adjust capital return to allowable State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate periods 6/1/95 - 9/30/95)		
6	Cost of Capital Nonallowable	2,966	2,966
	To adjust capital return to allowable State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate periods 10/1/95 - 9/30/96)		
7	Cost of Capital Nonallowable	2,884	2,884
	To adjust capital return to allowable State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate periods 10/1/96 - 9/30/97)		
8	<u>Memo Adjustment:</u> To decrease total patient days by 149 from 9,882 days to 9,733 days HIM-15-1, Section 2300		
	(This adjustment applies only to the rate periods 8/1/95 - 11/30/95)		

WILLOW CREEK NURSING CENTER, INC.
Adjustment Report
Cost Report Period Ended November 30, 1995
AC# 3-WIL-L5

ADJUSTMENT <u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	<u>Memo Adjustment:</u> To increase total patient days by 769 from 9,882 days to 10,651 days HIM-15-1, Section 2300 (This adjustment applies only to the rate periods 12/1/95 - 9/30/96)		
	TOTAL ADJUSTMENTS	<u>\$28,502</u>	<u>\$28,502</u>

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

WILLOW CREEK NURSING CENTER, INC.
 Cost of Capital Reimbursement Analysis
 For the Contract Periods June 1, 1995 Through September 30, 1995
 For the Cost Report Period Ended November 30, 1995
 AC# 3-WIL-L5

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>1.8981</u>
Deemed Asset Value (Per Bed)	29,644
Number of Beds	<u>60</u>
Deemed Asset Value	1,778,640
Improvements Since 1981	3,443
Accumulated Depreciation at 11/30/95	<u>(67,849)</u>
Deemed Depreciated Value	1,714,234
Market Rate of Return	<u>.075</u>
Total Annual Return	128,568
Number of Days in Period	<u>183/365</u>
Adjusted Annual Return	64,460
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	64,460
Depreciation Expense	41,573
Amortization Expense	953
Capital Related Income Offsets	(532)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	106,454
Total Patient Days (Actual)	<u>9,733</u>
Cost of Capital Per Diem	\$ <u><u>10.94</u></u>

WILLOW CREEK NURSING CENTER, INC.
Cost of Capital Reimbursement Analysis
For the Contract Periods June 1, 1995 Through September 30, 1995
For the Cost Report Period Ended November 30, 1995
AC# 3-WIL-L5

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ N/A
Adjustment for Maximum Increase	<u>3.83</u>
Maximum Cost of Capital Per Diem	\$ <u>N/A</u>
Reimbursable Cost of Capital Per Diem	\$10.94
Cost of Capital Per Diem	<u>10.94</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

WILLOW CREEK NURSING CENTER, INC.
 Cost of Capital Reimbursement Analysis
 For the Contract Period October 1, 1995 Through November 30, 1995
 For the Cost Report Period Ended November 30, 1995
 AC# 3-WIL-L5

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>1.9778</u>
Deemed Asset Value (Per Bed)	30,889
Number of Beds	<u>60</u>
Deemed Asset Value	1,853,340
Improvements Since 1981	3,443
Accumulated Depreciation at 11/30/95	<u>(67,849)</u>
Deemed Depreciated Value	1,788,934
Market Rate of Return	<u>.072</u>
Total Annual Return	128,803
Number of Days in Period	<u>183/365</u>
Adjusted Annual Return	64,578
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	64,578
Depreciation Expense	41,573
Amortization Expense	953
Capital Related Income Offsets	(532)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	106,572
Total Patient Days (Actual)	<u>9,733</u>
Cost of Capital Per Diem	\$ <u><u>10.95</u></u>

WILLOW CREEK NURSING CENTER, INC.
Cost of Capital Reimbursement Analysis
For the Contract Period October 1, 1995 Through November 30, 1995
For the Cost Report Period Ended November 30, 1995
AC# 3-WIL-L5

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>N/A</u>
Reimbursable Cost of Capital Per Diem	\$10.95
Cost of Capital Per Diem	<u>10.95</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

WILLOW CREEK NURSING CENTER, INC.

Cost of Capital Reimbursement Analysis

For the Contract Periods December 1, 1995 Through September 30, 1996

For the Cost Report Period Ended November 30, 1995

AC# 3-WIL-L5

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>1.9778</u>
Deemed Asset Value (Per Bed)	30,889
Number of Beds	<u>60</u>
Deemed Asset Value	1,853,340
Improvements Since 1981	3,443
Accumulated Depreciation at 11/30/95	<u>(67,849)</u>
Deemed Depreciated Value	1,788,934
Market Rate of Return	<u>.072</u>
Total Annual Return	128,803
Number of Days in Period	<u>183/365</u>
Adjusted Annual Return	64,578
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	64,578
Depreciation Expense	41,573
Amortization Expense	953
Capital Related Income Offsets	(532)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	106,572
Total Patient Days (Minimum 97% Occupancy)	<u>10,651</u>
Cost of Capital Per Diem	\$ <u><u>10.01</u></u>

WILLOW CREEK NURSING CENTER, INC.

Cost of Capital Reimbursement Analysis

For the Contract Periods December 1, 1995 Through September 30, 1996

For the Cost Report Period Ended November 30, 1995

AC# 3-WIL-L5

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>N/A</u>
Reimbursable Cost of Capital Per Diem	\$10.01
Cost of Capital Per Diem	<u>10.01</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>

WILLOW CREEK NURSING CENTER, INC.
 Cost of Capital Reimbursement Analysis
 For the Contract Periods October 1, 1996 Through September 30, 1997
 For the Cost Report Period Ended November 30, 1995
 AC# 3-WIL-L5

Original Asset Cost (Per Bed)	\$ 15,618
Inflation Adjustment	<u>2.0472</u>
Deemed Asset Value (Per Bed)	31,973
Number of Beds	<u>60</u>
Deemed Asset Value	1,918,380
Improvements Since 1981	3,443
Accumulated Depreciation at 11/30/95	<u>(67,849)</u>
Deemed Depreciated Value	1,853,974
Market Rate of Return	<u>.070</u>
Total Annual Return	129,778
Number of Days in Period	<u>183/365</u>
Adjusted Annual Return	65,067
Return Applicable to Non-Reimbursable Cost Centers	-
Allocation of Rent and Interest to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Annual Return	65,067
Depreciation Expense	41,573
Amortization Expense	953
Capital Related Income Offsets	(532)
Allocation of Capital Expenses to Non-Reimbursable Cost Centers	<u>-</u>
Allowable Cost of Capital Expense	107,061
Total Patient Days (Minimum 97% Occupancy)	<u>10,651</u>
Cost of Capital Per Diem	\$ <u><u>10.05</u></u>

WILLOW CREEK NURSING CENTER, INC.

Cost of Capital Reimbursement Analysis

For the Contract Periods October 1, 1996 Through September 30, 1997

For the Cost Report Period Ended November 30, 1995

AC# 3-WIL-L5

6/30/89 Cost of Capital and Return on Equity Capital Per Diem Reimbursement	\$ N/A
Adjustment for Maximum Increase	<u>3.99</u>
Maximum Cost of Capital Per Diem	\$ <u>N/A</u>
Reimbursable Cost of Capital Per Diem	\$10.05
Cost of Capital Per Diem	<u>10.05</u>
Cost of Capital Per Diem Limitation	\$ <u>-</u>